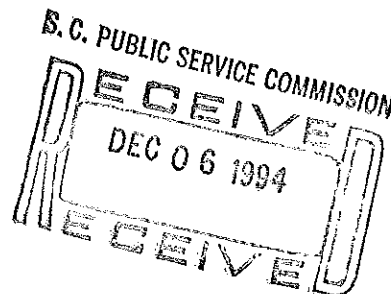
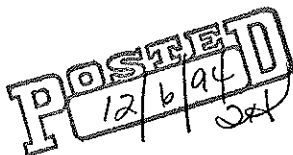


BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET NO. 94-615-E

DIRECT TESTIMONY
of

JOHN C. HOOKER
ON BEHALF OF
CHEROKEE COUNTY COGENERATION CORP.



1 Q. PLEASE STATE YOUR NAME AND BUSINESS POSITION.

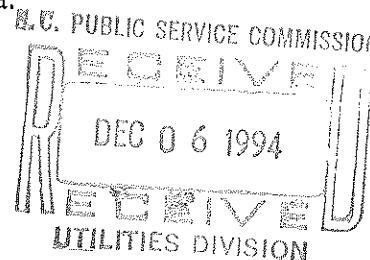
2 A. My name is John Hooker. I am President of Cherokee County Cogeneration Corp.

4 Q. PLEASE DESCRIBE CHEROKEE COUNTY COGENERATION CORP.?

5 A. Cherokee County Cogeneration Corp. ("Cherokee") is a corporation organized and
6 existing under the laws of the State of Delaware and is general partner for Cherokee
7 County Cogeneration Partners, L.P., a limited partnership under the Delaware
8 Revised Uniform Limited Partnership Act.

10 Q. PLEASE EXPLAIN THE PURPOSE OF YOUR TESTIMONY.

11 A. My testimony supports the joint Application of Cherokee and Duke Power Company
12 ("Duke") for approval of a Purchased Power Agreement ("the Agreement") under the
13 terms of which Cherokee will sell, and Duke will purchase, electric power and energy
14 which will be produced by a cogeneration facility ("the Facility") which Cherokee will
15 own and operate in the vicinity of Gaffney, South Carolina.



1 Q. PLEASE DESCRIBE BRIEFLY CHEROKEE'S FACILITY.

2 A. Cherokee intends to construct, own, operate and maintain a natural gas-fueled (with
3 liquid propane pipeline backup) combined-cycle electric cogeneration facility in the
4 vicinity of Gaffney, South Carolina. Integral with the Facility, Cherokee will
5 construct and operate a hydrocarbon processing facility using a "proprietary process"
6 which will include a thermal absorption process system. All steam produced through
7 the operation of the hydrocarbon processing facility will be retained for use by
8 Cherokee. The Facility is a qualifying facility ("QF") under the rules and regulations
9 of the Federal Energy Regulatory Commission ("FERC"), promulgated pursuant to
10 the provisions of Section 210 of the Public Utility Regulatory Policies Act of 1978
11 ("PURPA"). Cherokee has obtained FERC's determination of its status as a QF
12 pursuant to the certification procedure set forth in FERC's rules and regulations.
13 (QF No. 94-160-000, issued by FERC on September 19, 1994). The Facility will have
14 an installed generating capacity of approximately 80 megawatts (nameplate rating).
15 Because of the projected capacity of the Facility, Cherokee has filed an application
16 for a certificate of environmental compatibility and public convenience and necessity
17 from this Commission pursuant to S.C. Code Ann. §§ 58-33-10 et seq. (1976).

18
19 Q. PLEASE EXPLAIN THE PRINCIPAL COMPONENTS OF THE PURCHASED
20 POWER AGREEMENT BETWEEN CHEROKEE AND DUKE.

21 A. The Purchased Power Agreement, a copy of which was attached to our Application,
22 was negotiated over an extended period and was executed on August 26, 1994.

1 As more fully set forth in the provisions of the Agreement, Cherokee will sell and
2 deliver exclusively to Duke all the electric power and energy generated by the
3 Facility, net of the Facility's own auxiliary electrical requirements, and Duke shall
4 purchase, receive, use and pay for such power and energy. The Agreement contains
5 an initial term of fifteen (15) years which may be extended for an additional five (5)
6 year period. We estimate that Cherokee will initially deliver energy to Duke under
7 the Agreement on or about August 1, 1996.

8
9 The sale, delivery, receipt and use of electric power under the Agreement are subject
10 to and in accord with the terms and conditions of Duke's Service Regulations as of
11 the date of execution of the Agreement.

12
13 The Agreement contains numerous other provisions, including a rate schedule,
14 provisions for capacity commitments, interconnection facilities, service interruptions,
15 force majeure, operation of Cherokee's generating facilities, etc.

16
17 Q. PLEASE DESCRIBE THE RATE SCHEDULE INCLUDED IN THE
18 AGREEMENT.

19 A. Duke has agreed to make capacity and energy payments to Cherokee under rates
20 incorporated in Appendix A of the Agreement, "Cherokee Schedule 1." The rates
21 set forth in the Agreement are based upon Duke's projections of its avoided capacity
22 and energy costs in the most recent regulatory proceeding in which Duke's avoided
23 cost rates for purchases from QFs were determined (in North Carolina Utilities
24 Commission Docket E-100, Sub 66), and such rates employ the Commission's

1 currently approved methodology for the determination of avoided costs (Order No.
2 89-59, SCPSC Docket No. 80-251-E).

3
4 Duke will also provide backup and maintenance power for the Facility pursuant to
5 a separate electric service agreement under Duke's approved rate schedules for such
6 services.

7
8 Duke will supply electric service to Cherokee's manufacturing plant integrated with
9 the Facility which Cherokee will operate pursuant to a separate electric service
10 agreement under Duke's approved rate schedule applicable to such service.

11
12 Q. IS THE AGREEMENT CONSISTENT WITH THE COMMISSION'S POLICIES
13 REGARDING THE RELATIONSHIP BETWEEN REGULATED UTILITIES
14 AND COGENERATORS?

15 A. Yes, it is. The Agreement is consistent with the intent of PURPA to encourage the
16 development of qualifying facilities for cogeneration and the Agreement is consistent
17 with the principles which this Commission has established in its orders implementing
18 PURPA. See Order No. 81-214, dated March 20, 1981, and Order No. 85-347, dated
19 August 2, 1985, and Order No. 89-59, dated February 8, 1989, issued in SCPSC
20 Docket No. 80-251-E. Moreover, the terms of the Agreement, which provide that
21 Duke's payments to Cherokee for capacity and energy will be at or below Duke's
22 projections, as of the date of contract negotiations and execution of the Agreement,
23 of its future avoided costs, are consistent with the public interest. Finally, the
24 availability, purchase and use of the capacity and energy from the Facility is

1 consistent with Duke's Integrated Resource Plan which this Commission has
2 approved. See Order No. 93-008, dated January 25, 1993, in SCPSC Docket
3 No. 92-208-E.

4
5 Q. CHEROKEE AND DUKE HAVE REQUESTED THE COMMISSION TO
6 APPROVE THE AGREEMENT AND TO DETERMINE THAT DUKE'S
7 PAYMENTS FOR POWER PURCHASES UNDER THE AGREEMENT ARE
8 PRUDENT. WHAT IS THE BASIS FOR THAT REQUEST?

9 A. Because the Agreement complies with existing law and complies with this
10 Commission's requirements and policies, Cherokee and Duke have requested that the
11 Commission's approval of the Agreement include two determinations. First, we
12 request the Commission to decide that the payments which Duke would make to
13 Cherokee under the Agreement constitute a prudent expenditure. Second, we have
14 requested the Commission to determine that such approval will entitle Duke to
15 recover the cost of those payments under the Agreement, absent some extraordinary
16 circumstance, such as a situation in which the Commission's finding of prudence was
17 later determined to have been induced through perjury, fraud, collusion, deceit,
18 mistake, inadvertence or the intentional withholding of material information. These
19 determinations, which recognize the Commission's authority to prevent the recovery
20 of costs under the kind of unusual circumstances which would undermine the
21 Commission's approval of the Agreement, will provide a reasonable degree of
22 assurance to the financial community which will finance Cherokee's project and
23 future projects for other cogenerators that the Commission will continue to
24 implement the regulatory policies described in PURPA and the Commission's

1 previous orders in a manner which will encourage the development of cogeneration
2 as a realistic source of power and energy and balance the interests of the public, the
3 ratepayers and the regulated community.
4

5 Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

6 A. Yes.